HOUSE REPUBLICAN CONFERENCE
CHAIRMAN MIKE PENCE

# Implications of a Government-Run Health Plan

In light of proposals to establish a government-run "public" health plan, the Republican Conference has prepared a list of potential implications and Member concerns about such a measure.

**Cost Shifts**: A recent study by the consulting firm Milliman found that families with private health insurance spend nearly $1,800 more per year to cover the below-market reimbursement levels paid by Medicare and Medicaid; creating a government-run insurance plan open to all would only exacerbate these price dislocations.

**Massive, Forced Dislocation of Currently Insured Individuals**: Analysis by actuaries at the independent Lewin Group found that nearly 120 million individuals—three-quarters of all those currently with employer-sponsored health insurance—could lose their coverage due to a government-run plan. This dislocation would not be voluntary, as Lewin notes employers would save hundreds of billions by dropping their current health insurance plans, "dumping" their employees on the government rolls.

**Providers Make Less**: Other analysis by the Lewin Group found that a government-run plan reimbursing at Medicare rates would cause hospitals' total revenue to drop by nearly 5% ($36.5 billion), and physicians' total revenue to decline by nearly 7% ($36.4 billion). Any scenario whereby provider revenues are ***reduced*** after an ***increase*** in the number of insured patients would by definition reflect a perverse intervention by government into the marketplace—and cause many Members concern that such developments could result in patients losing access to providers and/or poorer quality care.

**Poorer Coverage and Access**: CBO Director Doug Elmendorf recently testified that traditional Medicare provides a benefit package 15% lower than the standard employer-sponsored plan—one reason why more than four in five Medicare beneficiaries rely on supplemental health coverage. In Medicaid, low provider participation rates often lead to long waits for care, such that low-income Americans would prefer private insurance coverage to Medicaid by a more than two-to-one margin.

**Fraud**: A recent series of articles in *CQ Weekly* highlighted persistent problems with fraud in government-run Medicare—tens of billions per year, not counting fraud never detected. As the head of the Justice Department's Miami anti-fraud task force notes, "Once you—or someone who wants to commit fraud—have patients with Medicare numbers, and those patients are willing to cooperate with you, you can commit any kind of fraud you want."

**Government Care Means Government Control**: Government programs constitute nearly half of all health care spending, and increasing government's market clout still further may well lead to rationing of procedures as a way to contain costs. The federal government already imposes price controls on doctors, hospitals, and pharmaceutical companies—leading some Members to wonder when controls on patient procedures will follow.

Given all these potential concerns—and Medicare's nearly $86 trillion in unfunded liabilities—some Members may agree with CBO Director Elmendorf's recent statement that creating yet another entitlement in the form of a government-run plan to compete "on a level playing field" with private insurance would be "extremely difficult," and therefore oppose any efforts by Democrats to impose such a "solution" on the American people.

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